PLEASANTVILLE COMMUNITY SCHOOL DISTRICT PLEASANTVILLE, IOWA

INDEPENDENT AUDITOR'S REPORTS BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS

JUNE 30, 2006

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OFFICIALS

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
	Board of Education	
(В	efore September 2005 Election)	
Jeffrey Beier	President	2006
Thomas Adreon	Vice President	2007
Robert Johns Troy Padellford Mark Thompson	Board Member Board Member Board Member	2005 2005 2007
	Board of Education	
(A	After September 2005 Election)	
Jeffrey Beier	President	2006
Thomas Adreon	Vice President	2007
Mark Thompson Troy Padellford Roger Schletzbaum	Board Member Board Member Board Member	2007 2008 2008
	School Officials	
David Isgrig	Superintendent	2009
Robert Friday	District Secretary/Treasurer	2006
Pat Meyers	Attorney	Indefinite
Dickinson, Mackaman, Tyler & Hagen, P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Pleasantville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasantville Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasantville Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated December 22, 2006 on our consideration of Pleasantville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 42 are not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasantville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa December 22, 2006 This page intentionally left blank

Basic Financial Statements

STATEMENT OF NET ASSETS June 30, 2006

		nmental vities	Business-type Activities	Total
Assets				
Cash and pooled investments	\$ 87	70,083 \$	12,420	\$ 882,503
Receivables:				
Property tax:				
Current year	3	34,721	-	34,721
Succeeding year	1,81	7,000	-	1,817,000
Income surtax	21	6,578	-	216,578
Due from other governments	13	33,911	-	133,911
Inventories		-	2,901	2,901
Restricted ISCAP assets (note 4):				
Investments	1,78	35,984	-	1,785,984
Accrued interest receivable	1	4,772	-	14,772
Capital assets, net of accumulated depreciation (note 5)	5,11	6,038	8,743	5,124,781
Total assets	9,98	39,087	24,064	10,013,151
Liabilities				
Salaries and benefits payable	45	53,774	-	453,774
Accrued interest payable	3	32,856	-	32,856
ISCAP warrants payable (note 4)	1,78	35,000	-	1,785,000
ISCAP accrued interest payable (note 4)	1	3,833	-	13,833
ISCAP unamortized premium (note 4)	1	2,615	-	
Deferred revenue:				
Succeeding year property tax	1,81	7,000	-	1,817,000
Other		-	6,429	6,429
Long-term liabilities (note 6):				
Portion due within one year:				
Early retirement		9,250	-	9,250
Notes payable	9	00,000	-	90,000
Bonds payable	30	00,000	-	300,000
Real estate contract payable		5,641	-	5,641
Portion due after one year:				
Early retirement	2	27,566	-	27,566
Notes payable	40	00,000	-	400,000
Bonds payable	1,77	70,000	-	1,770,000
Real estate contract payable	1	9,037	_	19,037
Total liabilities	6,73	36,572	6,429	6,743,001

STATEMENT OF NET ASSETS June 30, 2006

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	3,070,374	\$ 8,743 \$	3,079,117
Restricted for:			
Management levy	87,849	-	87,849
Physical plant and equipment levy	13,971	-	13,971
Other special revenue purposes	21,690	-	21,690
Unrestricted	58,631	8,892	67,523
Total net assets	3,252,515	\$ 17,635 \$	3,270,150

STATEMENT OF ACTIVITIES Year Ended June 30, 2006

				I	Program Revenu	es	
					Operating		
					Grants,	Capital	
					Contributions	Contrib	
			Charges for	r	and Restricted	and Res	tricted
Functions/Programs		Expenses	Services		Interest	Inter	rest
Governmental Activities:							
Instruction:							
Regular instruction	\$	2,239,927 \$	217,02	2 5	\$ 214,507	\$	-
Special instruction		733,990	93,46	9	80,760		-
Other instruction		982,519	312,01	6	66,536		-
	_	3,956,436	622,50		361,803		_
Support services:	_		•		·		
Student services		107,209		-	1,839		_
Instructional staff services		271,802		-	23,739		-
Administration services		565,536		-	-		-
Operation and maintenance of plant services		525,583	33	5	-		-
Transportation services		223,381		-	-		-
•	_	1,693,511	33	5	25,578		-
Non-instructional programs	_	9,728		-	-		
Other expenditures:							
Facilities acquisition		190,453		_	-	25	5,000
Long-term debt interest and fiscal charges		101,964		_	-		_
AEA flowthrough		183,683		_	183,683		_
Depreciation (unallocated) *		125,320		_	-		_
•	_	601,420		-	183,683	25	5,000
Total governmental activities		6,261,095	622,84	2	571,064	25	5,000
Business-Type Activities:							
Non-instructional programs:							
Food service operations	_	297,047	161,54	5	124,652		
Total	\$_	6,558,142 \$	784,38	<u>7</u> 9	\$ 695,716	\$	5,000

Net (Expense) Revenue and Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
\$	(1,808,398) \$	- \$	(1,808,398)
Ψ	(559,761)	_	(559,761)
	(603,967)	_	(603,967)
	(2,972,126)	_	(2,972,126)
	(2,3 / 2,120)		(=,> ,=,1=0)
	(105,370)	-	(105,370)
	(248,063)	-	(248,063)
	(565,536)	-	(565,536)
	(525,248)	-	(525,248)
	(223,381)	-	(223,381)
	(1,667,598)	-	(1,667,598)
	(9,728)	-	(9,728)
	(165,453)	-	(165,453)
	(101,964)	-	(101,964)
	-	-	-
	(125,320)	-	(125,320)
	(392,737)	-	(392,737)
	(5,042,189)	-	(5,042,189)
	-	(10,850)	(10,850)
	(5,042,189)	(10,850)	(5,053,039)

STATEMENT OF ACTIVITIES Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included in the direct expense of the various programs.

Net (Expense) Revenue and Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
\$	1,417,843	\$ - \$	1,417,843
Ψ	182,677	-	182,677
	163,990	_	163,990
	249,862	_	249,862
	363,625	_	363,625
	2,497,288	_	2,497,288
	36,904	_	36,904
	36,417	-	36,417
	,		,
	4,948,606	-	4,948,606
	(93,583)	(10,850)	(104,433)
	3,346,098	28,485	3,374,583
\$	3,252,515	\$ 17,635 \$	3,270,150

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments Receivables: Property tax:	\$ 263,383 \$	354,666 \$	72,054 \$	179,980 \$	870,083
Current year	26,082	3,615	_	5,024	34,721
Succeeding year	1,408,000	159,000	_	250,000	1,817,000
Income surtax	216,578	-	-	-	216,578
Due from other governments Restricted ISCAP assets (note 4):	49,910	-	84,001	-	133,911
Investments	1,785,984	-	-	-	1,785,984
Accrued interest receivable	14,772	-	-	-	14,772
Total assets	\$ 3,764,709 \$	517,281 \$	156,055 \$	435,004 \$	4,873,049
Liabilities and Fund Balances					
Liabilities:					
Salaries and benefits payable	\$ 453,774 \$	- \$	- \$	- \$	453,774
ISCAP warrants payable (note 4) ISCAP accrued interest payable	1,785,000	-	-	-	1,785,000
(note 4)	13,833	-	-	-	13,833
ISCAP unamortized premium Deferred revenue:	12,615	-	-	-	12,615
Succeeding year property tax	1,408,000	159,000	-	250,000	1,817,000
Other	216,578	-	-	-	216,578
Total liabilities	3,889,800	159,000	-	250,000	4,298,800
Fund balance: Reserved for:					
Debt service		358,281			358,281
Unreserved:	_	330,201	_	_	330,201
Reported in nonmajor Special					
Revenue Funds	_	_	_	185,004	185,004
Undesignated	(125,091)	-	156,055	-	30,964
Total fund balances	(125,091)	358,281	156,055	185,004	574,249
Total liabilities and fund balances	\$ 3,764,709 \$	517,281 \$	156,055 \$	435,004 \$	4,873,049

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS June 30, 2006

Total fund balances of governmental funds	\$	574,249
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,116,038
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		216,578
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(32,856)
Long-term liabilities, including bonds payable, notes payables, real estate contracts, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	_	(2,621,494)
Net assets of governmental activities	\$_	3,252,515

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2006

	_	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Local sources:						
Local tax	\$	1,564,463 \$	182,677 \$	363,625	\$ 254,207 \$	2,364,972
Tuition		241,652	_	-	-	241,652
Other		131,204	6,094	25,000	315,153	477,451
State sources		2,952,470	-	-	-	2,952,470
Federal sources		117,402	-	-	-	117,402
Total revenues	_	5,007,191	188,771	388,625	569,360	6,153,947
Expenditures:						
Current:		2 (0) 541			220.426	2.045.067
Instruction		3,606,541	-	-	339,426	3,945,967
Support services:						
Student services		107,209	_	_	-	107,209
Instructional staff services		155,645	-	116,157	-	271,802
Administration services		563,512	-	-	-	563,512
Operation and maintenance						
of plant services		450,255	-	-	67,849	518,104
Transportation services		248,667	-	-	-	248,667
		1,525,288	-	116,157	67,849	1,709,294
Non-instructional programs	_	9,728	-	_	-	9,728
Other expenditures: Facilities acquisition Long term debt:		-	-	1,326,881	77,306	1,404,187
Principal		_	240,000	_	_	240,000
Interest and fiscal charges		_	86,191	_	_	86,191
AEA flowthrough		183,683	-	_	_	183,683
1 121 1 1 0 W WING W GIT	_	183,683	326,191	1,326,881	77,306	1,914,061
Total expenditures	_	5,325,240	326,191	1,443,038	484,581	7,579,050
1	_	, ,	,	, , ,	,	, ,
Excess (deficiency) of revenues						
over (under) expenditures		(318,049)	(137,420)	(1,054,413)	84,779	(1,425,103)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2006

			Debt	Capital	Nonmajor Governmental	
	_	General	Service	Projects	Funds	Total
Other financing sources (uses):						
Sale of equipment	\$	540 \$	- \$	- \$	- \$	540
Interfund transfers in (note 3)		-	324,484	-	-	324,484
Interfund transfers out (note 3)		-	-	(216,909)	(107,575)	(324,484)
Local option sales and services						
tax revenue bonds issued		-	149,500	1,333,989	-	1,483,489
Total other financing sources (uses)	_	540	473,984	1,117,080	(107,575)	1,484,029
(dbes)	_	210	173,501	1,117,000	(107,575)	1,101,022
Net change in fund balances		(317,509)	336,564	62,667	(22,796)	58,926
Fund balances beginning of year	_	192,418	21,717	93,388	207,800	515,323
Fund balances end of year	\$_	(125,091) \$	358,281 \$	156,055 \$	185,004 \$	574,249

58,926

PLEASANTVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported

in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:	
Expenditures for capital assets Depreciation expense	\$ 1,326,717 (202,154) 1,124,563
Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the	
Statement of Activities.	13,025
Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	263,555
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless	
of when it is due.	(27,817)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(30,835)
	(50,033)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets and do not affect the Statement of Activities.	(1,483,489)
Bond issuance costs are netted against bond proceeds in governmental funds. However, these costs are an adjustment to debt service expense for	
governmental activities.	(11,511)
Change in net assets of governmental activities	\$ (93,583)

STATEMENT OF NET ASSETS PROPRIETARY FUND June 30, 2006

		School Nutrition
Assets		
Cash and cash equivalents Inventories	\$	12,420 2,901
Capital assets, net of accumulated depreciation Total assets		8,743 24,064
Liabilities		
Deferred revenue: Other		6,429
Net Assets		
Invested in capital assets Unrestricted		8,743 8,892
Total net assets	\$_	17,635

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND Year Ended June 30, 2006

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 161,545
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	77,478
Benefits	17,234
Purchased services	17,816
Supplies	182,522
Depreciation	1,997
	297,047
Operating loss	(135,502)
Non-operating revenues:	
State sources	4,080
Federal sources	120,572
Total non-operating revenues	124,652
Change in net assets	(10,850)
Net assets beginning of year	28,485
Net assets end of year	\$ 17,635

STATEMENT OF CASH FLOWS PROPRIETARY FUND Year Ended June 30, 2006

	_	School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$	161,087
Cash received from miscellaneous operating activities		6,887
Cash payments to employees for services		(94,712)
Cash payments to suppliers for goods or services		(186,255)
Net cash used by operating activities	_	(112,993)
Cash flows from non-capital financing activities:		
State grants received		4,080
Federal grants received	_	108,682
Net cash provided by non-capital financing activities	_	112,762
Net increase in cash and cash equivalents		(231)
Cash and cash equivalents beginning of year	_	12,651
Cash and cash equivalents end of year	\$=	12,420
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$	(135,502)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		1,997
Commodities used		11,890
Decrease in inventories		2,193
Increase in deferred revenues	_	6,429
Net cash used by operating activities	\$_	(112,993)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$11,890 of federal commodities.

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS June 30, 2006

	Private Purpose Trust
	Scholarship Agency
Assets: Cash and pooled investments	\$ 279,137 \$ 92,104
Liabilities: Due to other governments	\$\$ 92,104
Net assets: Reserved for scholarships	\$ 279,137 \$

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS Year Ended June 30, 2006

	Pı	rivate Purpose Trust
	_	Scholarship
Additions: Local sources: Gifts and contributions Interest Total additions	\$	92,000 15,370 107,370
Deductions: None	_	
Change in net assets		107,370
Net assets beginning of year	_	171,767
Net assets end of year	\$_	279,137

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 1. Summary of Significant Accounting Policies

Pleasantville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Pleasantville, Iowa, and agricultural territory in Marion and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pleasantville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Pleasantville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the nonmajor proprietary fund, Enterprise, School Nutrition Fund to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	 Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

	Estimated
Asset Class	Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2006.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the instruction and support services functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had the following investments:

		Amortized	
	_	Cost	
	_		
U.S. government bonds	\$_	177,724	

The investments in U.S. government bonds are valued at fair value.

Interest Risk Rate – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investment in the U.S. government bonds is not subject to risk categorization.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from		Amount
Debt Service	Capital Projects Special Revenue:	\$	216,909
	Physical Plant and Equipment Levy	_	107,575
Total		\$	324,484

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	 Accrued Interest Receivable	_	Warrants Payable	Accrued Interest Payable	 Unamortized Premium
2005-06B	1/26/2006	1/26/2007 \$	712,478	\$ 14,438	\$	710,000 \$	13,756	\$ 4,434
2006-07A	6/28/2006	6/28/2007	1,073,506	334		1,075,000	77	8,181
Total		\$	1,785,984	\$ 14,772	\$_	1,785,000 \$	13,833	\$ 12,615

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Balance	Balance
Beginning Advances Advances	End
Series of Year Received Repaid	of Year
2005-06A \$ \$400,000 \$400,000 \$	<u>-</u>

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

g	Interest Rates	Interest Rates
Series	on Warrants	on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning			Balance End
	of Year	 Increases	 Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 64,500	\$ _	\$ - \$	64,500
Capital assets being depreciated:				
Buildings	5,138,287	1,204,783	-	6,343,070
Improvements other than buildings	265,572	8,951	-	274,523
Furniture and equipment	1,429,525	112,983	30,001	1,512,507
Total capital assets being depreciated	6,833,384	1,326,717	30,001	8,130,100
Less accumulated depreciation for:				
Buildings	1,495,184	124,267	_	1,619,451
Improvements other than buildings	261,336	1,053	_	262,389
Furniture and equipment	1,149,889	76,834	30,001	1,196,722
Total accumulated depreciation	2,906,409	202,154	30,001	3,078,562
Total capital assets being depreciated, net	3,926,975	1,124,563	-	5,051,538
Governmental activities capital assets, net	\$ 3,991,475	\$ 1,124,563	\$ - \$	5,116,038

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 5. Capital Assets (continued)

	-	Balance Beginning of Year		Increases	Decreases	Balance End of Year
Business-type activities:	¢	26.064	¢	¢.	¢	26.064
Furniture and equipment Less accumulated depreciation	\$	26,064 15,324	Ф	- \$ 1,997	- \$ -	26,064 17,321
Business-type activities capital assets, net	\$	10,740	\$	(1,997) \$	<u> </u>	8,743
Depreciation expense was charged by the Dis	strict	to the follow	ing	functions:		
Governmental activities:						
Instruction:						
Regular					\$	32,187
Support services:						
Administration						8,136
Operation and maintenance of plant serv	rices					7,480
Transportation						29,031
•					_	76,834
Unallocated depreciation					_	125,320
Total governmental activities depreciation	expe	ense			\$	202,154
Business-type activities:						
Food service operations					\$_	1,997

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

						Local Option Sales and			
		Capital		General		Services Tax		Real	
	Early	Loan		Obligation		Revenue	Capital	Estate	
	Retirement	Note	_	Bonds	_	Bonds	Leases	Contract	Total
Balance beginning of year	\$ 5,981	\$ 580,000	\$	725,000	\$	- \$	18,233 \$	30,000 \$	1,359,214
Additions	35,100	-		-		1,495,000	-	-	1,530,100
Reductions	4,265	90,000		150,000		_	18,233	5,322	267,820
Balance end of year	\$ 36,816	\$ 490,000	\$	575,000	\$	1,495,000 \$	\$	24,678 \$	2,621,494
Due within one year	\$ 9,250	\$ 90,000	\$	150,000	\$	150,000 \$	\$	5,641 \$	404,891

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to the difference between the employee's current salary and the base salary schedule, less any other additional pay or supplemental pay. The retired employee may also continue participation in the District's health insurance group at the employee's own expense.

At June 30, 2006, the District has obligations to three participants with a total liability of \$36,816. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$4,265. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Capital Loan Notes

Details of the district's June 30, 2006 general obligation capital loan notes is as follows:

Year Ending	Interest			
June 30,	Rates		Principal	Interest
2007	2.65 %	\$	90,000 \$	15,310
2008	2.95		95,000	12,925
2009	3.20		100,000	10,122
2010	3.30		100,000	6,923
2011	3.45	_	105,000	3,622
		_		
Total		\$	490,000 \$	48,902
		_		

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	 Principal	Interest
2007	4.35 %	\$ 150,000	\$ 25,490
2008	4.40	160,000	18,965
2009	4.50	165,000	11,925
2010	4.50	100,000	4,500
Total		\$ 575,000	\$ 60,880

Local Option Sales and Services Tax Revenue Bonds

During the year ended June 30, 2006, the District issued \$1,495,000 of local option sales and services tax revenue bonds. The bonds have interest rates ranging from 3.75% to 4.00% and are payable from the Districts local option sales tax revenues through June 30, 2015.

Details of the District's June 30, 2006 local option sales and services tax revenue bonds are as follows:

Year Ending June 30,	Interest Rates		Principal		Interest
2007	3.75 %	\$	150,000	\$	53,815
2008 2009	3.75 3.75		150,000 155,000		48,190 42,471
2010 2011	3.75 3.75		160,000 165,000		36,565 30,471
2012 2013	3.75 3.75		170,000 175,000		24,190 17,722
2014 2015	3.80 4.00		180,000 190,000		11,020 3,800
Total		\$_	1,495,000	\$_	268,244

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 6. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

The resolutions providing for the issuance of the local option sales and services tax revenue bonds and school infrastructure local option sales and services tax revenue bonds include the following provisions:

- a) \$149,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.
- b) Sufficient monthly deposits amounting to one sixth of the next principal and interest payments shall be made to the Local Option Sales and Services Tax Revenue Bond and Interest Revenue Fund for the purpose of making the bond principal and interest payments when due.
- c) Monies in the Revenue Fund shall be disbursed to make deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) A separate bond reserve fund will be maintained in the amount of \$149,500 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Local Option Sales and Services Tax Revenue Funds.

Real Estate Contract

Details of the District's June 30, 2006 real estate contract obligations are as follows:

Year Ending June 30,	 Principal	Interest	Total
2007	\$ 5,641 \$	1,481 \$	7,122
2008	5,980	1,142	7,122
2009	6,339	783	7,122
2010	6,718	404	7,122
	\$ 24,678 \$	3,810 \$	28,488

NOTES TO FINANCIAL STATEMENTS June 30, 2006

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$189,413, \$177,919, and \$174,223 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Pleasantville Community School District is exposed to various risks related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$183,683 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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Required Supplementary Information

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2006

	(Governmental Funds - Actual	Proprietary Fund - Actual	-	Total Actual	 Budgeted Amounts Original and Final		Final to Actual Variance
RECEIPTS:								
Local sources	\$	3,231,551 \$	167,974	\$	3,399,525	\$ 3,278,336	\$	121,189
Intermediate sources		_	_		-	45,000		(45,000)
State sources		2,952,109	4,080		2,956,189	3,085,306		(129,117)
Federal sources		123,380	120,572		243,952	252,000		(8,048)
Total receipts		6,307,040	292,626		6,599,666	6,660,642		(60,976)
DISBURSEMENTS:								
Instruction		3,914,577	_		3,914,577	3,893,366		(21,211)
Support services		1,702,742	_		1,702,742	1,585,408		(117,334)
Non-instructional programs		9,728	292,857		302,585	410,314		107,729
Other expenditures		2,021,636	-		2,021,636	2,523,987		502,351
Total disbursements		7,648,683	292,857		7,941,540	8,413,075		471,535
Excess (deficiency) of receipts								
over (under) disbursements		(1,341,643)	(231)		(1,341,874)	(1,752,433)		410,559
Other financing sources, net	-	1,509,029	-		1,509,029	1,740,000		(230,971)
Excess (deficiency) of receipts and other financing sources								
over (under) disbursements		167,386	(231)		167,155	(12,433)		179,588
Balance beginning of year	-	702,697	12,651		715,348	1,104,584		(389,236)
Balance end of year	\$	870,083 \$	12,420	\$	882,503	\$ 1,092,151	\$_	(209,648)

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2006

	Governmental Funds						
		Modified					
	Cash	Cash		Accrual			
	Basis		Adjust- ments	Basis			
Revenues	6,307,04	0 \$	(153,093) \$	6,153,947			
Expenditures	7,648,68	3	(69,633)	7,579,050			
Net	(1,341,64	3)	(83,460)	(1,425,103)			
Other financing sources (uses)	1,509,029		(25,000)	1,484,029			
Beginning fund balances	702,69	7	(187,374)	515,323			
Ending fund balances	870,08	3 \$	(295,834) \$	574,249			
	Proprietary Fund						
	Enterprise						
			Accrual				
	Cash Adjust- Accrual						
	Basis		ments	Basis			
Revenues	292,62	6 \$	(6,429) \$	286,197			
Expenses	292,85	7	4,190	297,047			
Net	(23	1)	(10,619)	(10,850)			
Beginning net assets	12,65	1	15,834	28,485			
Ending net assets	12,42	<u>)</u> \$	5,215 \$	17,635			

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, disbursements in the instruction and support services functions exceeded the amounts budgeted.

Other Supplementary Information

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2006

		Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments Receivables: Property tax:	\$	122,886 \$	21,690 \$	35,404	\$ 179,980
Current year		1,779	_	3,245	5,024
Succeeding year		91,000	-	159,000	250,000
	-	, , , , , ,		,	
Total assets	\$	215,665 \$	21,690 \$	197,649	\$ 435,004
Liabilities and Fund Equity					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$_	91,000 \$	\$	159,000	\$ 250,000
Fund equity: Fund balances: Unreserved:					
Undesignated		124,665	21,690	38,649	185,004
2 Havinghatva	-	121,000	21,000	20,017	100,001
Total liabilities and fund equity	\$	215,665 \$	21,690 \$	197,649	\$ 435,004

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS Year Ended June 30, 2006

			Special Re	venue			
		Management Levy	Student Activity		Physical Plant and Equipment Levy	Total	
Revenues:							
Local sources:							
Local tax	\$	90,217	\$	- \$	163,990	\$ 254,207	
Other		1,472	312,0)17	1,664	315,153	
Total revenues	-	91,689	312,0)17	165,654	569,360	_
Expenditures: Current:							
Instruction Support services:		9,103	330,3	323	-	339,426	i
Operation and maintenance of plant services Other expenditures:		67,849		-	-	67,849	
Facilities acquisition		_		_	77,306	77,306	
Total expenditures	-	76,952	330,3	323	77,306	484,581	_
Excess (deficiency) of revenues over (under) expenditures		14,737	(18,3	306)	88,348	84,779	ı
Other financing sources (uses): Interfund transfers out	-	-		-	(107,575)	(107,575)	<u>)</u>
Excess (deficiency) of revenues over (under) expenditures and other		14 727	(19.3	206)	(10.227)	(22.706)	3
financing uses		14,737	(18,3	900)	(19,227)	(22,796))
Fund balances beginning of year		109,928	39,9	996	57,876	207,800	_
Fund balances end of year	\$	124,665	\$ 21,0	<u>590</u> \$	38,649	\$ 185,004	

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS Year Ended June 30, 2006

	Balance			Balance
Aggaint	Beginning	Darramuras	Europditures	End
Account	 of Year	Revenues	Expenditures	of Year
Elementary Book Fair	\$ 2,058 \$	9,313	\$ 9,394 \$	1,977
Elementary Fundraiser	19,128	11,569	12,087	18,610
Special Trips	7,187	99	49	7,237
Library Club	400	1,357	1,386	371
Industrial Arts club	(4,552)	1,255	2,973	(6,270)
Vocal	3,505	4,630	6,755	1,380
Elementary Band	(3,275)	1,149	1,563	(3,689)
Athletic Resale	(3,287)	-	· <u>-</u>	(3,287)
Vocational Agriculture Club	(5,767)	2,643	4,691	(7,815)
HS Band	(1,765)	5,393	5,686	(2,058)
Drill Team	(2,611)	130	254	(2,735)
Athletics - Summer Program	(327)	-	<u>-</u>	(327)
Athletics - Summer Program	(21,380)	101,198	97,251	(17,433)
Activity Concessions	14,590	19,091	21,835	11,846
North	1,641	2,691	2,579	1,753
High School Lounge	188	1,344	2,296	(764)
Yearbook	(36,200)	6,839	13,746	(43,107)
Clubs:				
E. Student Council	314	-	_	314
JH Student Council	2,256	3,489	3,668	2,077
Student Council	516	5,451	4,665	1,302
Future Farmers of America	2,842	36,550	37,961	1,431
National Honor Society	132	-	6	126
Future Business Leaders	488	-	23	465
Cheerleaders	1,090	4,527	8,145	(2,528)
Spanish	3,408	1,883	2,083	3,208
Science	57	11	46	22
Rifle Club	(103)	170	335	(268)
Student Activities:				
Postage	91	-	_	91
Class of:				
2000	398	-	<u>-</u>	398
2001	181	-	<u>-</u>	181
2002	494	-	<u>-</u>	494
2003	8	-	<u>-</u>	8
2004	432	-	<u>-</u>	432
2005	269	-	(152)	421
2006	767	2,287	2,154	900
2007	650	2,468	3,295	(177)
2008	14	721	21	714

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS Year Ended June 30, 2006

Account		Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
D.C. Trip	\$	29,012 \$	57,818	\$ 57,751	\$ 29,079
TAG		927	1,805	1,717	1,015
Band/Vocal/Art Confederation		3	-	-	3
Home Ec		728	170	223	675
Art/Photo		1,571	637	-	2,208
Savings		8,697	618	154	9,161
Community Service		(1,693)	-	-	(1,693)
Plays		5,126	4,531	4,866	4,791
Social Studies		(210)	-	-	(210)
Community Resources		7,328	500	327	7,501
Student Council Resale - Trojan Track		2,581	16,774	15,650	3,705
High Fundraising	_	2,089	2,906	4,840	155
Total	\$_	39,996 \$	312,017	\$ 330,323	\$ 21,690

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUND

Year Ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 40,613 \$	296,654 \$	245,163 \$	92,104
Liabilities				
Due to other governments	\$ 40,613 \$	296,654 \$	245,163 \$	92,104

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS FOR THE LAST FOUR YEARS

Modified Accrual Basis Years Ended June 30, 2006 2005 2004 2003 Revenues: Local sources: Local tax 2,364,972 \$ 2,261,154 \$ 1,889,789 \$ 1,862,612 **Tuition** 241,652 202,346 164,052 155,116 Other 477,451 461,408 414,170 327,636 State sources 2,952,470 2,878,737 2,918,647 3,067,690 Federal sources 141,269 82,734 117,402 160,112 Total revenues 5,944,914 \$ 5,460,236 \$ 6,153,947 \$ 5,582,322 Expenditures: Instruction: Regular instruction 3,945,967 \$ 2,331,646 \$ 2,304,107 \$ 2,399,545 905,470 679,491 Special instruction 958,763 Other instruction 543,718 459,607 524,948 Support services: Student services 107,209 102,746 119,321 121,708 Instructional staff services 271,802 129,272 154,099 127,368 Administration services 563,512 524,227 459,203 427,568 Operation and maintenance of plant services 518,104 450,505 405,369 415,469 Transportation services 248,667 195,510 135,203 156,861 Central and other support services 12,055 Non-instructional programs 9,728 38,583 227 44,944 Other expenditures: Facilities acquisition 1,404,187 338,881 332,757 1,891,319 Long-term debt: 240,000 225,000 220,000 130,000 Principal 86,191 57,828 64,930 63,499 Interest and fiscal charges 183,683 AEA flowthrough 183,306 186,651 197,604 Total expenditures 7,579,050 \$ 6,079,985 \$ 5,758,999 \$ 7,180,324

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of Pleasantville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pleasantville Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pleasantville Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Finding.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-B-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pleasantville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under <u>Government Auditing Standards</u>. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Pleasantville Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pleasantville Community School District and other parties to whom Pleasantville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pleasantville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa December 22, 2006

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

I-A-06 Disbursement Approval – We note that the Board did not approve two Special Revenue, Student Activity Fund disbursements (of five tested), and that no disbursements were approved for the Enterprise Fund, School Nutrition during the year ended June 30, 2006.

Recommendation – Chapter 279.29 of the Code of Iowa provides that "the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." In accordance with an Attorney General's opinion dated July 12, 1979, "no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified." Therefore, all claims for all funds should be examined, approved and listings initialed by the Board prior to any disbursements, and all amounts provided to the Board should be accurate.

Response – We will approve all disbursements for all funds as required.

Conclusion – Response acknowledged. We would like to stress the importance of this function of the Board as a supervisory body. This step serves as one of the best protections a school district has against any possible irregularities and the Board should review all claims and furnish evidence of that review.

Reportable Conditions:

I-B-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal, check signing, payroll preparations, and bank reconciliations were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel in various offices to provide additional control through review of financial transactions and reports.

I-C-06 Financial Condition – At June 30, 2006, the General Fund had an unreserved, undesignated fund deficit of \$125,091. In addition, the Special Revenue, Student Activity Fund had several individual accounts with deficit balances at June 30, 2006.

Recommendation – The District should begin preparing a recovery plan to eliminate the General Fund deficit balance. The District should continue to monitor the Student Activity accounts and investigate alternatives to eliminate the remaining deficits.

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-C-06 Financial Condition (continued)

Response – We are working on these deficit balances. We are investigating different options to resolve the current financial difficulties.

Conclusion - Response accepted.

I-D-06 Support Documentation – We noted two of eleven receipts specifically tested in the General Fund which had no supporting documentation as to date received, dollar amount, and purpose, other than a bank deposit slip.

Recommendation – The District should require all receipts be properly supported as to when received, the dollar amount, and the purpose behind the receipt to protect the underlying asset and insure timely accurate recording of revenues.

Response – We will consider this suggestion and will change our receipting procedures so that all support documentation is retained and documented.

Conclusion – Response accepted.

I-E-06 Coding Errors – We noted that all the property tax and related collections remitted to the District by the Counties are recorded into one revenue account for property taxes.

Recommendation – The state requires the District to record all different components of tax revenues into the proper revenue accounts, including property taxes, mobile home taxes, income surtax, and military credits to more properly show actual sources and classifications of property tax revenues.

Response – We will properly code tax receipts in the future by recording all components into the proper revenue codes as required.

Conclusion – Response accepted.

I-F-06 Untimely Deposits – We noted one receipt that was not timely deposited by the District. The time elapsed between actual receipt and deposit was 23 days.

Recommendation – All receipts should be timely deposited within, at most, one week of the date of receipt. The District would therefore maximize interest earnings and better protect the underlying asset.

Response – We will examine the procedures we use for making deposits and we will make the necessary changes to insure timely deposits.

Conclusion - Response accepted.

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-G-06 Fundraiser Support – We noted that the District requires reconciliations to be completed for fundraising activities but does not enforce compliance by activity sponsors.

Recommendation – The District should require all sponsors or supervisors to complete a reconciliation of any fundraising activity. The reconciliation should match total sales to receipts and deposits, compare items purchased to items sold, and calculate the profit ratio for the activity. This requirement should be communicated to all sponsors and enforced to protect the underlying asset.

Response – We will require this reconciliation to be completed and reviewed in the future and will communicate the importance of this procedure to all sponsors.

Conclusion - Response accepted.

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, exceeded the amounts budgeted in the instruction and support services function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

- II-B-06 Questionable Expenditures No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions No business transactions between the District and District officials or employees were noted.
- II-E-06 Bond Coverage Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes Except as previously discussed in item I-A-06, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-06 Certified Enrollment No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-06 Deposits and Investments No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-06 Certified Annual Report The Certified Annual Report was not timely filed with the Department of Education. However, all amounts as reported were accurate.

Recommendation – The District should contact the Department of Education to determine how to correct this situation.

Response – We have contacted the Department of Education and resolved this situation.

Conclusion - Response accepted.

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting (continued):

II-J-06 Enterprise Fund, School Nutrition – The District accounts for the Enterprise Fund, School Nutrition with a manual Parrott register throughout the year and makes year end adjusting entries to the District's software system to allow the District to upload the chart of accounts. All revenue items are coded to one account.

Recommendation – The District should set up all accounts for revenue and expense items as required by the State, including student lunch, student breakfast, milk, adult meals, and ala carte sales. The School Nutrition Fund should be accounted for through the District's software throughout the year to better enable tracking of revenues and costs and for added controls over transactions.

Response – We will consider this recommendation.

Conclusion – Response accepted.

II-K-06 Employee Contract – We noted in our testing of District payroll transactions that one extracurricular contract for a coaching position was missing from District records.

Recommendation – All employee contracts should be properly approved, signed, and filed in a timely fashion to ensure accurate District records over all aspects of payroll and related issues.

Response – All contracts are normally filed in a proper manner and this contract is properly evidenced in the minute records. This was an oversight for this contract. We will have all contracts properly available in the future.

Conclusion – Response accepted.

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